

EPIQ **/NRM II** **Natural Resources Management Project**

Task Order No. 806

Contract No. OUT-PC-I-00-96-00002-00

Forest Sector Regulatory & Management Reforms

Forest Resources Management Sub-component RP 1 Inception Period Activities

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May 1999

For
USAID/Indonesia

Environmental Policy and Institutional Strengthening Indefinite Quantity Contract (EPIQ)

Partners: International Resources Group, Winrock International,
and Harvard Institute for International Development

Subcontractors: PADCO; Management Systems International; and Development Alternatives, Inc.

Collaborating Institutions: Center for Naval Analysis Corporation; Conservation International; KNB Engineering and Applied Sciences, Inc.; Keller-Bliesner Engineering; Resource Management International, Inc.; Tellus Institute; Urban Institute; and World Resources Institute.

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List of Abbreviations

APBN	<i>Anggaran Pendapatan dan Belanja Negara</i>
APHI	<i>Asosiasi Pengusaha Hutan Indonesia</i> (Indonesian [Forest] Concession Holders' Association)
Bapedal	Environmental Impact Management Agency
Bappeda	<i>Badan Perencanaan Pembangunan Daerah</i> (Regional Development Planning Agency)
Bappenas	Badan Perencanaan Pembangunan Nasional (National Development Planning Agency)
BH	<i>Biro Hukum</i> (Bureau of Law)
bhgRIH	Reduced Impact Harvesting
BKSDA	<i>Balai Konservasi Sumber Daya Alam</i> (Regional Office for Nature Conservation)
CGIF	Consultative Group
<i>Dinas</i>	Provincial-level Government Agency
DR	<i>Dana Reboisasi</i> (Reforestation Fund)
HPH	<i>Hak Pengusahaan Hutan</i> (Forestry Concession Rights)
HPHH	Forest Product Collection Rights
HR	Human Resources
HTI	<i>Hutan Tanaman Industri</i> (Industrial Forest Plantations)
IFAP	Indonesian Forestry Action Plan
IMF	International Monetary Fund
INPRES	<i>Instruksi Presiden</i> (Instruction from the President)
INTAG	<i>Direktorat Jenderal Inventorasi Tata Guna Hutan</i> Directorate-General of Forest Inventory and Land Use Planning
Kanwil	<i>Kantor Wilayah</i> (Provincial Office)
KdTI	<i>Kawasan dengan Tujuan Istimewa</i> (new concept on community-managed agroforests)
KPH	<i>Kesatuan Pengelolaan Hutan</i> (Forest Management Unit)
KPHP	<i>Kesatuan Pengusahaan Hutan Produksi</i> (Production Forest Utilization Unit)
LATIN	<i>Lembaga Alam Tropika</i> (NGO)
LEI	<i>Lembaga Ekolabel Indonesia</i> (Indonesian Ecolableing Institute)

LIPI	Lembaga Ilmu Pengetahuan Indonesia (Research Institute of Indonesia)
Litbang	Badan Penelitian Dan Pengembangan Kehutanan (Agency of Forest Research and Development)
M LH	Ministry of Environment
MEFP	Memorandum on Economic and Financial Policies
MoFE	Ministry of Forestry and Estate Crops
MoFin	Ministry of Finance, Indonesia
NTFPs	Non Timber Forest Products
PH	<i>Direktorat Jenderal Pengusahaan Hutan</i> (Directorate General of Forest Utilization)
PHPA	<i>Perlindungan Hutan dan Pelestarian Alam</i> (Directorate General of Forest Protection and Nature Conservation)
PJP II	Second 20-year Long Term National Plan
PK	<i>Padat Karya</i>
PMDH	<i>(has replaced Bina Desa Hutan)</i>
RIL	Reduced Impact Logging or LIL, low impact logging or RIH, reduced impact harvesting
RKL	<i>Rencana Kerja Lima Tahun</i> (Five-year Working Plan)
RKPH	<i>Rencana Kerja Pengusahaan Hutan</i> (Long-term (20-yr) Working Plan)
RKT	<i>Rencana Kerja Tahunan</i> (Annual Working Plan)
RRL	<i>Direktorat Jenderal Reboisasi dan Rehabilitasi Lahan</i> (Directorate General of Reforestation and Rehabilitation Area)
RSTRP	<i>Rencana Struktur Tata Ruang Propinsi</i> (Provincial Structure Plan)
SFM	Sustainable forest management
SHK	<i>Sistem Hutan Kerakyatan</i>
SJM	Pt. Suka Jaya Mamuku (concession of the Alas Kusuma Group)
TGHK	<i>Tata Guna Hutan Kesepakatan</i> (Consensus Forest Land-use Plan)
TJTI	<i>Tebang Jalur Tanam Indonesia –</i> (Indonesian Strip Cutting and Planting System)
TPTI	<i>Tebang Pilih Tanam Indonesia –</i> (Indonesian Selective Logging and Planting System)

Summary

This report includes the following:

- An overview of the recent, relevant literature dealing with institutional assessments of the forestry sector in Indonesia, focusing on management and regulation of commercial concessions in natural forests, currently called HPH (*Hak Pengusahaan Produksi*). It also includes community based forestry and non-timber forest products.
- Summary of issues not covered in the framework of forestry economics and land use reforms as outlined in the Memorandum on Economic and Financial Policies (MEFP); institutional analysis requirements for sector reforms and specific studies required to address these issues.
- A summary of the community based forestry concession policies which will avoid unnecessary regulatory burdens on community based enterprises while ensuring sustainable forest management practices.
- Terms of Reference for studies and field activities required to be undertaken for improved forest management practices and developing concession management systems with an emphasis on:
 - outcome based forestry with the development of Codes of Practice and Reduced Impact Harvesting Guidelines,
 - simple transparent concession management systems, including community based forest management which could lead to self appraisal and inspection.
 - roles of *Dinas Kehutanan (dinas)* and *Kantor Wilaya (kanwil)* in relation to technical and management inputs,
 - skills and institutional improvements required to enable roles of *Dinas Kehutanan* and *Kantor Wilaya (kanwil)* to contribute to sustainable forest management in relation to concession and community based forest management.

1. Institutional Assessment of the Forestry Sector in Indonesia

1.1 Forest Sector Policies

Analysis of the forest sector policies is an important component of the reform process due to the linkage between policy implications and recommendations. This connection needs to be established and made clear before recommendations are considered for implementation. The link becomes clearer when policy is defined as a framework which covers a continuum from National Laws at one end to *Direktorat Jenderal* and outcome based regulations at the other. The regulations on this continuum form the policy instruments.

Following the development of the Indonesian Forest Action Plan (IFAP), there has been significant changes in the policy emphasis which has influenced concession allocation and management. This includes forest management, including utilisation rights, procedures and silvicultural prescriptions. Many of the policies relating to these procedures and practices were analysed extensively between 1991-1994 by a number of organisations, including the World Bank and the Asian Development Bank (World Bank-Indonesia Sustaining Development, 1994; ADB Forest Policy Analysis, 1993), with specific issues within the sector being analysed by a number of bi-lateral donors such as USAID (NRMP) and ODA (ITFMP) in association with the Ministry of Forestry. The time period following this i.e. between 1994 and early 1998, other regulations were issued but little policy analysis was undertaken on their implications for forest management or the forest sector in general. These policy instruments included, but were not restricted to:

- Environmental Management Law of the Republic of Indonesia No. 23/1997
- MoF Decree No 292/Kpts-II/95 Forest Area Swapping
- MoF Decree No.480/Kpts-II/1995 Evaluation of a Forest Concession for which an Approval has been obtained for its Extension Prior to the Issuance of the Decree of the Minister of Forestry No.62 Kpts-II/95. Paying and Distributing Forest Product Fees
- MoF Decree No. 486/Kpts-II/11995 The Administration of Forest Products in the Territory of Java.
- MoF Decree No. 276/Kpts-II/1995 The Construction of a River Current Observation Station in a Forest concession Area.

- MoF Decree No. 358/Kpts-II/1996 Amendment to the Decree of the Minister of Forests No.271/Kpts-IV/1993 on the Procedures for Imposing Collecting,
- MoF Decree No.615/Kpts-II/1996 The Delegation of Authority to Confirm the Ownership of Forest Concessionaires of their Linkage with Upstream Timber Processing Industries.
- MoF Decree No. 359/Kpts-II/1996 Amendments to Decree of the Minister of Finance No. 272/Kpts-IV/1993 on the Procedures for Imposing, Collecting, Paying, Keeping and Using Reforestation Funds.
- MoF Decree No. 688/Kpts-II/1996 The Procedure for Financing the Implementation of Boundary Arrangements for the Working Areas of Forest Concessions, Timber Estate Concessions, Nature-Related Tourism Concessions and Activities of Survey on the Reservation of Forest Concession Areas.
- MoF Decree No. 622/Kpts-II/1995 The Guideline for Community Forests.
- MoF Decree No. 523/Kpts-II/1997 The Development of Forest Rural Community by Forest Concessionaires and Timber Estates Concessionaires.
- MoF Decree No. 173/Kpts-IV/1997 The Tariffs on Non-wood Forest Product Contributions (IHH) for the Entire Territory of Indonesia, period April 1, 1997-March 31 1998.
- MoF Decree No. 260/Kpts-II/1995 Guideline for Efforts to Prevent and Extinguish Forest Fires.
- MoF Decree No. 49/Kpts-II/1997 Smallholders' Forest Financing and Business.
- MoF Decree No. 634/Kpts-II/1996 The Amendment to Decree of the Minister of Forestry No. 399/Kpts-II/1990 on the Guidelines for Forest Confirmation.

These regulations relating to forest management appear to be additions to existing regulations on the subject. However, many of these decrees have not been analysed in detail for their management implications. Many are now superseded by the new decrees in 1998 following the signing of the MEFP.

In 1998, a number of Minister of Forestry Decrees were issued in relation to the issues relating to the forest sector as outlined in Memorandum of Economic and Financial Policies (MEFP). The forestry sector issues contained in the MEFP include the following:

Natural Production Forest Management

- SK No. 26/MPP/Kep/1/1998 eliminating trade regulations on plywood exports
- SK No. 27/MPP/Kep/1/1998 abolishing the joint marketing board for plywood
- SK No. 28/MPP/Kep/1998 on exports of plywood
- SK No. 29/MPP/Kep/1998 on the allocation of plywood exports
- SK No. 30/MPP/Kep/1/1998 eliminating trade regulations on sawn timber and processed wood
- SK. No. 31/MPP/Kep/1/1998 on the abolishing the joint marketing board for sawn timber and processed wood
- SK. No. 32/MPP/Kep/1/1998 on the allocation for exports of sawn timber and processed wood
- SK No. 33/MPP/Kep/1/1998 eliminates trade regulation on *lampit* rattan
- SK No. 34/MPP/Kep/1/1998 on allocation of *lampit* rattan exports
- Abolish the stumpage fee for cultivated rattan (included in the INPRES 2/1998)
- Abolish SAKB and SAKO licenses for rattan (INPRES 2/1998) transport disallow restrictions on the inter island shipment (See INPRES 2/1998) of rattan products
- Ministry of Forestry No. 42/MPP/1/1998) Reduction of export tariff to 10 percent (Letter from Min of Trade) on roundwood and sawn timber

Community Forestry

- KMK 47/Kpts-II/1998 Recognizing rights of local communities in Krui to collect *damar* resin from protected forests based upon their traditional *adat* claim.

These issues, and the Decrees as they relate to policy and the regulatory framework are being analysed under the NRM 2 Project with the view to providing an improved regulatory framework, financial, economic and management guidelines as an incentive to promote sustainable forest management.

A preliminary analysis of the forestry related MEFP issues, including the *dana reboisasi* reforestation fund, the “resource rent tax” or resource rent royalty,

to be called the Forest Resources Royalty (PSDH), was undertaken by the NRM Secretariat and the ITFMP, SMAT/98/EC/01 titled, the Draft Response to Proposed IMF Forestry Sector Reforms. As indicated above, the main forestry issues raised in the MEFP have been discussed and brief, and cursory policy briefs enunciated by a number of organisations. These reports and documents are available in the NRM 2 Policy Secretariat.

1.1.1 Concession Allocation & Management

Major changes in the policies relating to concession allocation and management have occurred since the implementation of the Indonesian Forestry Action Plan (IFAP) policies. These included policy declarations at the national level, numerous pieces of legislation within the Ministry of Forestry and other Ministries with responsibilities related to the forest sector, including taxes and forest charges; decrees and directives from various directorates. Most of the regulations are very prescriptive and have been designed to administer the forestry activities and consequently, facilitate collection of forest related charges in the provinces, especially for transportation of forests products, including planted rattan.

The Basic Forestry Law No.5 1967 is the primary source of all forest administration and regulations. The major concession management system and regulatory framework designed for the production forests in Indonesia is the HPH or *Hak Pengusahaan Hutan* or forest utilisation system. This is comprised of utilisation rights, concession and management and the *Tebang Produksi Tanam Indonesia* (TPTI) or Indonesian Silvicultural System which was designated in 1989. The forest utilisation rights were divided into two; Forest Concession Rights (HPH) and Forest Product Collection Rights (HPHH). The current concession system which covers an area of 60 million ha in 1994/5 by 579 HPHs (now reduced to approx. 160) is based on a huge number of administrative regulations designed to cover all aspects from renewal of licences after 20 years, a range of strategic and tactical plans, to a prescribed cutting cycle and the determination of the annual allowable cut (AAC). This figure is not determined by the capacity of the forest to sustain that level of harvest, but rather by an administrative prescription applied uniformly throughout the forests of Indonesia.

The current concession management system, works against sustainable forests management. This is not by design but by default and a minimal understanding of the real forces which affect sustainable forest management. The policies put in place for concession management and for the development of a national plywood industry based on large, near perfectly round large logs, has in the long term contributed to its demise, rather than supported a system that is sustainable in the long term. Many of the current policies and administrative regulations are also designed to promote a “short term logger” philosophy rather than a “long term logger”. The fundamental policies which

need to be in place as outlined in the ADB Forest Sector Analysis in 1994 to promote sustainable concession management and which are even more relevant in today's economic climate are as follows:

- exclusivity, or security of management and harvesting rights,
- transferability, the right to sell the rights of management at any time (as long as the rights to concessions are exclusive and transferable, the length of contract is essentially irrelevant),
- divisibility, allows transfers to take place at their most efficient size (size is dependent on economies of scale, so small areas may be more suitable for community based forest management),
- enforceability, assurance that the concession is exclusive, transferable, and divisible.
- a free market for the sale of forest products to ensure competitiveness and efficiency, improved utilisation, unencumbered by undue administrative regulations (which are both costly and time consuming) after the point of sale. This is irrespective of whether the product is a timber or non-timber forest product.

A mechanism for implementing an improved concession management system, applicable for both industrial concessions and community forest management which partly addresses the five essential ingredients to support sustainable forest management is already part of Indonesian Law. A system that provides a basis for the allocation of "management rights" (*hak pengelolaan*) for the forest as opposed to the "right to utilise" was established in 1973 by a Decree by the Minister of Interior. The "right to manage" the land can be granted to state-owned enterprises and regional governments. This system is widely practiced on Java and is the basis of forest management there.

In 1991, the Minister of Forests issued Decree 200 *Kesatuan Pengusahaan Hutan Produksi* (KPHP) or Production Forest Utilisation Unit. This decree provides for the "right to utilise". However, the right to utilise is only one aspect of forest management, while not the driving force. The wording and intent of this decree caused much debate during its preparation, as the difference between the right to utilise and the right to manage was well understood by the senior policy makers in the Ministry of Forestry.

The "right to manage" under a system of *Kasatuan Pengelolaan Hutan* (KPH) would provide a stronger basis for sustainable forest management for all forest categories in Indonesia than that currently promoted under KPHP. An outline of a more appropriate form of concession management system based on the permanent forest estate, (KPH), where KPHP plays its part in the Production Forests only, was outlined in the ADB Forest Policy Analysis in 1994. There is nothing to suggest that even with the recent changes in Indonesia, that this approach is no longer valid.

1.1.2 Forest Management

Forest management within the current HPH is structured around a large number of administrative procedures, which cover in fine detail all aspects from renewal of licences after 20 years, the range of strategic and tactical plans, to a formula for calculating the annual allowable cut (AAC) which is divorced from the ability of the forest to sustain that level of harvest. Each administrative hoop attracts an administrative and concessionaires must comply with these administrative regulations whether the forest benefits or not. This adds greatly to the cost of the logs to the point of sale, mill door, through under utilisation of the harvested log, time, and administrative fees, both formal and informal.

Estimated landed wood cost is about USD 80 /m³. This figure is provided by the APHI and from calculations from a number of studies undertaken by foresters/ forest economists who understand the range of activities and costs of those activities involved in getting the tree standing in the forest to the mill door. If the point of sale is at the stump, the skidding and haulage is borne by the processor. In Indonesia, the contractor and processor are often the same company, so in many studies, costs are often underestimated in determining the cost of the log at the mill gate.

Once appropriate policies and a management framework and an concession allocation and management system is in place, this will still not, in itself provide for sustainable management of the Production Forests. The forest managers still require some outcome-based technical guidelines to assist their field foresters and operators to undertake harvesting so it can function as a silvicultural tool rather than as a destructive tool, as is often the case when carried out incorrectly.

The basis of these guidelines is a code of forest harvesting practice which provides the “what is required from both a forest and environmental viewpoint”. The Code related reduced impact, or low impact logging/ harvesting guidelines and ecologically appropriate silvicultural prescriptions can then provide the guidelines on “how to” go about the operations. These provisions and their contents need to be developed with an outcome based focus, rather than as prescriptive administrative orders, most of which relate very little to an understanding of the ecological dynamics of the tropical forest ecosystem. They should not be decreed or made part of the legal framework, but be used as a working tool which forest managers should find useful in their endeavour to manage the forests sustainably. These tools should also be useful to provide the basis for any auditing of the forest for a particular purpose, e.g. labelling for increase accessibility to particular markets. If these guidelines, which should be designed based on experience from many parts of the world are implemented, the residual forest

environment will be in a condition to meet the most stringent practical auditing criteria and indicators.

The fundamental strategy to promote sustainable forest management in Production Forests in Indonesia is to first develop and implement the appropriate policies to encourage the concessions to become “long term loggers” with the Code and reduced impact harvesting guidelines providing the technical know-how.

The next fundamental step in the process of promoting sustainable forest management is to disseminate the information and promote the ideas through demonstration and stakeholder training in the required technology. This may be best undertaken by addressing all stakeholder levels from the CEOs, and senior policy makers, to middle level managers as well as field operators. This will involve basically 3 levels of training/ awareness building programs to be developed for the appropriate work area. This is a fundamental recommendation of the Asia-Pacific Forestry Commission in 1998 and conforms to the fundamental guidelines of ITTO for sustainable forest management issued in 1992.

1.1.3 Community Forestry (Community Based Forest Management)

The Ministry of Forestry controls the State Forest Areas and provides technical advice and assistance for the management of forested land owned privately or by communities. This land is often referred to as “Community forest (or Peoples’ Forest) *hutan rakyat*”. The area of this land is approx.366,000 ha, with efforts in Repelita VI designed to increase its size.

Community Forestry must be distinguished from Social Forestry (*hutan kemasyarakatan* or *perhutanan sosial*) which refers to different forms of community use under the jurisdiction of the Ministry. Separate programs are directed towards social forestry.

The ADB Forestry Policy Analysis 1994 provides an outline of community based forestry programs such as the HPH Bina Desa Hutan under Ministerial Decree No.691/Kpts-II/91 and the technical guidelines issued by the DG of Forest Utilisation (DG PH) and the DG of Reforestation and Land Rehabilitation (DG RLL). The DG PH regulations dictate the type of activities that concessionaires are required to undertake for the communities to ensure licences will be renewed. There is little scope to match activities with the realities of the forest or site. The DG RLL has also issued a list of development activities, which include social forestry (bee keeping rattan planting). Recently a new name was provided for the Bina Desa. It is now called *Bina Desa Pembinaan Masyarakat Desa Hutan* Community Village Program under PH.

The Community Forestry program under RLL is currently being developed to explore the basis of enabling concessions to harvest timber through the formulation of co-operatives. This is allowed for in the Decree. However, the basis of this form of community forestry management and utilisation is the KPHP. If this can be developed, then the KPHP, with some modifications and simplification, is a very useful approach for the management of production forests for both large scale private concessionaires and community based concessions. This needs to be analysed in more detail by the NRM 2 Program, as a practical means of enabling communities to have access to forest resources, just not non-timber forest products as is currently the case. As is the case with industrial concession management, the policies need to be developed or at least developed in parallel with field studies designed to implement practical as opposed to an academic approach to CBFM. The “how to” is well known within many communities. What is required is the appropriate management policy and framework which will enable the communities to form businesses to operate as viable financial entities to manage the forest for either timber or non-timber products and operate under the same rules and regulations as any commercial operation. The members of the communities who are interested in commercial operations should be viewed more as business managers, rather than as a collection of people or communities. After all, they will take the risks in any business and take the profits; hence the situation is no different from any other business.

The question of *adat* rights within this context needs careful consideration and should be understood in terms of how the GOI view them within the framework of the state philosophy of *Pancasila*. The fact that there are numerous types of *adat law* through out the country in the various ethnic communities, provides a strong base for disunity within the country. This is in direct contrast with one of the fundamental five principles of the *Pancasila*; promoting unity for Indonesia. A more practical and less political approach to CBFM is to address this question of land use and allocation under the concept that is being promoted for other “organisations/ private companies” ie, the KPHP. This approach which is based on land use, allocation according to its capability, capacity and suitability.

1.2

Forestry Related Reforms in the MEFM

The MEFP contains 50 items to be addressed in the reform process. The reforms concerned in the forest sector are focused on 5 of the items as follows: No. 12, fiscal policy; No. 37. foreign trade and investment; No. 40. deregulation and privatisation; No. 45. deregulation; and No.50. the environment.

It is not until point No. 50 is reached that many of the real issues involved in enabling the forests (forest based) to be managed sustainably are addressed.

While many of the areas for reform have been identified, the policies still require debate and clear enunciation of the issues in order to provide the basis for their adoption and implementation by the GOI. The major inputs required are outlined.

1.2.1 Item 12 Fiscal Policy

This is related to the Investment Fund and Reforestation Fund. As there has been considerable input in recent years and months by NRM 2 and others, policy recommendations for this item can be undertaken within the NRM 2 activities in a relatively short time period.

1.2.2 Item 37 Foreign Trade and Investment

There has been considerable debate and investigation on this issue of export taxes and the basis of its calculation and the effect it has on the sustainability of the forest. NRM2 has the ability to undertake this investigation and develop a policy paper and recommendations. Given the long term effects of taxation changes, the policy paper will require considerable input so as not to repeat current policy failures by replacing them others.

1.2.3 Item 40 Deregulation and Privatisation

This relates primarily to freeing up the market and allowing processors and producers to sell to whom they want and where they have a competitive advantage. This reform suggestion is contrary to current policy and the role of APKINDO which was established to provide protection to the plywood industry during its development. The long term protection has acted against the interest of the forest and the efficiency of the industry and its ability to obtain resources in perpetuity. NRM 2 is in a position to develop the position paper for the reform and deregulation by providing a balanced argument for options. It is part of the overall package involved in improving concession management and adding value to the resource.

1.2.4 Item 45 Deregulation and Privatisation

While only partially related to the NRM 2 goals, the freeing up of the market is also related to the corporations in promoting increased value of the resource and enabling urgently needed funds to make them more sustainable. NRM 2 has access to specialists who can enunciate the issues and make recommendations for the privatisation of the Inhutanis and other forestry based corporations.

1.2.5 Item 50 Environment

An analysis of the subject matter has already been undertaken and documented as indicated previously. The issues should be addressed as a priority in NRM 2, but in a way that will ensure the acceptability of the out

come and hence its adoptability by the GOI and relevant Ministries. The NRM2 Forestry Resources Management Sub-component is designed to address these issues and develop policy papers over the coming 12 months which are convincing and defensible.

1.3

Major Forestry Reform Issues Outside the MEFP

There are no major issues that have been omitted in the MEFP which are essential for reforming the natural forest based industry for either large companies or communities. While the wording is imprecise, the framework is there to enable more appropriate policies to be developed with the primary aim of promoting sustainable forest management and efficient forest based industries in the long term. The implementation and political will to address the reforms is the most compelling issue, as many reforms may appear contrary to GOI policy as well as the vested interests of a powerful minority of Indonesians who, as one forest economist is often reported as saying, “are using the forests to convert money that they don’t own into money that they do own”.

The issues raised in the five points are not new. Most have been addressed over the past years by individuals who have concentrated on one aspect of the forest sector, donor assisted projects who have addressed an issues as part of project activities, or institutions such as the World Bank and the ADB which undertook a comprehensive Forest Policy Analysis in 1994. The reports are contained in project offices and libraries as well as the respective Directorates’ General.

The issues pertaining to sustainable forest management not directly covered by the current MEFP include:

- issues relating to concession management systems for communities and private companies. These are currently being addressed by the Indonesian-UK Forest Management Project and GTZ which is developing the KPHP system for concession management in production Forests. There are numerous reports and publications prepared including a three volume manual on KPHP. However, as discussed previously, the concept requires improving to ensure it is simplified and therefore easier to implement, more outcome focused and is underpinned by the KPH involving the permanent forest estate concept which address the right of management and not only one aspect of this, the right of utilisation.
- transportation levies on the conveyance of forest products, both timber and non-timber primarily by provincial and district authorities is of major concern to the forest sector. This is part of the overall reform required in the provinces and includes the defining of roles of the

kanwil and *dinas* in light of the implementation of the sector reforms involved in the concession management system, such as self regulation, and sale and movement of forest products from the forest to the point of export or point of processing. This reform is connected to reducing the administrative regulations and procedures for forest products following their purchase by the exporter or processor. The role and involvement of the *dinas kehutanan* and *kanwil* in the forest sector should end at the forest gate and may involve them as trained assessors rather than administrators.

1.4

Institutional Needs for Forest Sector Reform

Once the basic reform programs are developed, the next step after the management framework is in place is the institutional reform which will assist in implementing the reforms within the appropriate management and regulatory framework. The issues are:

- exclusivity, or security of management and harvesting rights,
- transferability, the right to sell the rights of management,
- divisibility, allows transfers to take place,
- enforceability, assurance that the concession is exclusive, transferable, and divisible,
- a free market for the sale of forest products.

The institutions requiring reform and improved and more meaningful role in the management process are most likely at the provincial level. There is a large number of administrative regulations and procedures involving forest products which are well documented and available in ITFMP Project files and Reports. Many of these procedures involve some form of payment for movement of forest products. They in themselves contribute very little to sustainable management, just more rent capture and unrelated to the central governments procedures and regulations for this process. The issue of decentralisation of forest management procedures have been discussed in many fora over the past few years (World Bank 1994) and the NRM Workshop on “Decentralisation of Forest Management in Indonesia”. The workshop was used to focus the issues and define what is decentralisation and the conditions and processes required for successful decentralised forest management with positive social outcomes.

There are a number of models for divulging more responsibility to the provincial level and these need further investigation to identify whether they are applicable for the *dinas kehutanan* and *kanwil*. Once new roles are

determined, further capacity building will be required to ensure the organisations are in a position to implement their new roles.

The other stakeholders who will require institutional input will include the concessionaires for developing self regulation procedures in association with provincial authorities; and NGOs who may also play a vital role in resource management in the regions.

1.5

Addition Information Required for the Reform Process

The information, documentation, studies and field investigations required for improving forest resource management over the coming 12 months and beyond can be divided into the following four components:

- Improved Policy and Institutional Framework;
- Sustainable Forest Resource Management Approaches and Practices;
- Implementation of Appropriate Systems for Managing Industrial Forest Concessions; and
- Development of Community-based Forest Management.

The components have the following number activities:

Improved Policy and Institutional Framework, a central issue is the need to evolve from an overall forestry sector policy highly focused on administrative requirements to one that enables the application of forest management practices that are economically efficient and as environmentally sound as possible, both to maintain resource productivity and to prevent off-site damages. This is what “sustainability” really means. In this context, it will be important to assess the potential impacts (both short-term and long-term) of the MEFP reforms affecting the sector. Specific examples of measures to be analyzed include the use of the Reforestation Fund, the reduction of export taxes, the application of resource rent taxes, the application of performance bonds, and the mechanisms for awarding concessions.

A major contribution of this effort will be to identify the overall costs and benefits of the major policies, both existing and proposed. Additionally, the model will support the design of a set of policy initiatives that would provide enabling conditions for sustainable forest management. In an effort to respond to this issue, a step-wise procedure involving policy makers, as well as implementors, for moving from policy concepts to the issuance of instruments and their application will be developed. The continuity of this economic approach to policy analysis will be assured through competency-based training and coaching programs.

Sustainable Forest Resource Management Approaches and Practices, the focus of NRMP, and of NRM 2, thus far, has been on avoidable logging waste and reduced impact harvesting (RIH). The intent now is to develop a broader scope for the sustainable performance of forest resource managers, which includes RIH, as well as other elements such as land management planning, applications of geographic information systems, codes of forestry practices, silvicultural prescriptions, and control of environmental impacts of forestry operations. These approaches and practices are based upon the premises that: a) wood harvesting inflicts environmental damage; b) this damage can be considerably reduced if harvesting is properly planned and performed; and c) under these conditions, harvesting, which is the most useful silvicultural tool available to a forest manager, can be a major factor in maintaining and even increasing forest productivity.

Implementation of Appropriate Systems for Managing Industrial Forest Concessions will involve the application of the Improved Policy and Institutional Framework and Forest Resource Management Approaches and Practices in the management of industrial concessions with a sustainable perspective. Essential to this application is an understanding, as complete as possible, of the present structure of the Indonesian forest products industry, for two major reasons: a) the industry is one of the most important sources of pressure on the resource, and b) the present structure of the industry is, to a large extent, a result of the legal and regulatory framework currently in effect.

The first set of issues will be addressed through an analysis of the forest products industry structure focusing mainly on major products, processing facilities, wood flows, traded volumes. Future growth and structural changes will also be examined.

The second set of issues will focus on the current legal and regulatory framework on concession management from the standpoint of the concessionaires themselves.

The Forestry team intends to complement these analyses with a study on options for the decentralising of forest management as well as the privatization of State-owned forestry firms. Additionally it will propose a system of standards for concession licensing.

Development of Community-based Forest Management, the Forestry team intends to build upon recent regulatory developments like the *Kawasan dengan Tujuan Istimewa* (KdTI) concept, focusing on rights of community-based agroforests, and upon lessons of experience, both in Indonesia and in neighboring countries. The aim is to design and propose a set of options for community-based forest management, based on clear rights and obligations, that will be financially viable, economically efficient and environmentally sustainable.

2.

Terms of Reference for RP 1.1

The Task Order 1 Period (April 1998 - September 1999) Workplan for the Forest Resources Management Sub-component (SO3/RP1.1) of the EPIQ/NRM 2 Natural Resources Management Program has outlined the technical assistance requirements and Level of Effort (LOE). While the workplan does not provide terms of reference for the positions it does provide a broad framework for the input.

The Terms of Reference for the following positions over the next 12 months are presented in the following sections:

- Long Term (Indonesian) Industrial Forest Management Specialist (LOE 12 pm),
- Long Term (Indonesian) Community Forest Management Specialist (LOE 12 pm),
- Short Term (International) RIH /Auditing Specialist (LOE 3 pm),
- Short Term (International) Forest Management Specialist (LOE 4 pm)
- Short Term (International). Social Scientist (LOE 2 pm)

2.1 Terms of Reference

RP 1.1 Industrial Forest Management Specialist

2.1.1 Background

Forest Resources Management Sub-component (SO3/RP1.1) of the EPIQ/NRM 2 Natural Resources Management Program supports and collaborates with the Ministry of Forestry and Estate Crops (MoFE), Directorate General of Forest Utilisation in its effort to achieve sustainable forest management. This is undertaken through policy reform, as well as the development and application of appropriate systems and practices. The systems and practices are designed to operate in a co-ordinated manner through applications for improving industrial concession management and the development of community-based forest management. The tasks of the workplan are therefore organised under four major categories, i) improved policy and institutional framework, ii) sustainable forest resource management approaches and practices, iii) implementation of appropriate systems and for managing industrial concession, and iv) the development for community-based forest management.

To assist with undertaking the tasks designated in the workplan, the services of a long term Industrial Forest Management Specialist is required. The Indonesian specialist will have the responsibility for providing technical support to the activities related to the development of sustainable forest resource management approaches and practices and their application in forest concessions. The specialist should have formal training in forest management, with experience in field operations in natural forests and a sound knowledge of harvesting procedures and silvicultural systems.

2.1.2 Assignment

Located in the sub-component Project Office in Jakarta, Indonesia, the specialist will be responsible to the Forestry Advisor for:

- Providing necessary input as requested into the policy reforms required in the forestry sector to promote sustainable forest management.
- Assist the Forest management Specialist by providing input into the development of the Code of Practice for Forest Harvesting in Indonesia through field activities and workshops.
- Provide input into the development of the Reduced Impact Harvesting Guidelines for Indonesia through participation in fields activities and workshops.

- With assistance from the Forest Management Specialist and RIH Specialist, develop procedures for the introduction and implementation of RIH procedures into concessions.
- Assist the Forest Management Specialist with the analysis and recommendations for an improved concession systems policy and its implementation, based on the permanent forest estate concept.
- Outline the systems of log movement and control and provide systems enable the efficient and economical movement of logs for export or processing.
- Assist with the development of systematic monitoring systems for concession performance and adherence to the Code
- Identify appropriate procedures and practices which can be decentralised with respect to forest management decisions to Kanwil/Pemda and the development of appropriate training programmes to facilitate the process.
- Provide assistance to the Forest Resource Economist for the preparation of the cost and benefits of improved management systems for industry and community based forestry.
- Provide assistance to the Legislation Policy Specialist, for assessing the current regulatory requirements of timber concessions as it effects their ability to undertake sustainable forest management.

Some of this work will make an important contribution to the forestry sector of the MEFP program. This should be the emphasis in the initial period of the involvement keeping in mind the schedule for implementation.

2.1.3 Reports and Other Deliverables

1. Reports and summaries for discussion on the Codes, RIH, and additional guidance and advice as required.
2. Seminar and presentation materials in appropriate format and quality for formal meetings and seminars.
3. Meeting and seminar presentations to be undertaken as required to provide information about the sub-component activities and technologies.
4. Field visits and activities as required for implementation in designated field sites.

2.1.4 Schedule and Level of Effort

1. The input will extend in a continuous period from June 1, 1998 to September 1999 for a period of at least 16 months.

2.2 Terms of Reference

RP 1.1 Community Forest Management/ Social Scientist Specialist

2.2.1 Background

Forest Resources Management Sub-component (SO3/RP1.1) of the EPIQ/NRM 2 Natural Resources Management Program supports and collaborates with the Ministry of Forestry and Estate Crops (MoFE), Directorate General of Forest Utilisation in its effort to achieve sustainable forest management. This is undertaken through policy reform, as well as the development and application of appropriate systems and practices. The systems and practices are designed to operate in a co-ordinated manner through applications for improving industrial concession management and the development of community-based forest management. The tasks of the workplan are therefore organised under four major categories, i) improved policy and institutional framework, ii) sustainable forest resource management approaches and practices, iii) implementation of appropriate systems and for managing industrial concession, and iv) the development for community-based forest management.

To assist with undertaking the tasks designated in the workplan, the services of a long term Community Forest Management Specialist is required. The Indonesian specialist will have the responsibility for providing the concept development and policy framework for CBFM, selection of social indicators for the guidelines and training needs highlighting approaches and practices and their application in community forests. The specialist should have formal training in forest management, or social forestry, with experience in field operations in natural forests and working with forest based communities.

2.2.2 Assignment

Located in the sub-component Project Office in Jakarta, Indonesia, the specialist will be responsible to the Forestry Advisor for:

- Work with the Social Scientist, local NGOs, CIFOR and others, to assess policies and regulations in relation to CBFM in Indonesia.
- Based on the review of policies, develop acceptable definitions to be used for CBFM, criteria, and policy directions for the positive social outcomes for CBFM in conjunction with the Social Scientist.
- Organise and support a network of communications with the aim of identifying and achieving predetermined outcomes.
- Presentation of results of analysis to CGIF as a basis for discussion and comment on CBFM.

- Collaborate with other CBFM sites in an effort to identify issues for the allocation of forest resources, conditions required for financial and ecological sustainability, and the compatibility of CBFM with forest concessions.
- Develop, in association with Forest Advisor and Social Scientist, detailed programme for additional input for the Social Scientist based on the results of this current LOE.

2.2.3 Reports and Other Deliverables

1. Reports and summaries for discussion on the Codes, RIH, and additional guidance and advice as required.
2. Seminar and presentation materials in appropriate format and quality for formal meetings and seminars.
3. Meeting and seminar presentations to be undertaken as required to provide information about the sub-component activities and technologies.
4. Field visits and activities as required for implementation in designated field sites.

2.2.4 Schedule and Level of Effort

1. The input will extend in a continuous period from June 1, 1998 to September 1999 for a period of at least 16 months.

2.3 Terms of Reference

RP 1.1 Forest Management Specialist (International)

2.3.1 Background

Forest Resources Management Sub-component (SO3/RP1.1) of the EPIQ/NRM 2 Natural Resources Management Program supports and collaborates with the Ministry of Forestry and Estate Crops (MoFE), Directorate General of Forest Utilisation in its effort to achieve sustainable forest management. This is undertaken through policy reform, as well as the development and application of appropriate systems and practices. The systems and practices are designed to operate in a co-ordinated manner through applications for improving industrial concession management and the development of community-based forest management. The tasks of the workplan are therefore organised under four major categories, i) improved policy and institutional framework, ii) sustainable forest resource management approaches and practices, iii) implementation of appropriate systems and for managing industrial concession, and iv) the development for community-based forest management.

To assist with undertaking the tasks designated in the workplan, the services of a short term Forest Management Specialist is required. The specialist will have the responsibility for providing technical support to sustainable forest resource management approaches and practices and their application in forest concessions and community-based concessions. The specialist should have formal training in forest management, with experience in field operations in natural forests and a sound knowledge of the driving forces in concession and forest management in Indonesia

2.3.2 Assignment

In Jakarta, Indonesia, (August 1998), located in the sub-component Project Office in Jakarta, Indonesia, the specialist will be responsible to the Forestry Advisor for:

- Providing input into the development of an improved forest sector policy framework sustainable forest management and concession management in the natural forests in Indonesia. The areas on which to concentrate are approaches to concession management, the details of the system and its management and planning requirements, implications for implementation and how the process of transition from the current system.

- Undertake an analysis of the policies and systems used for the mapping and information systems used in forest concession and forest management in Indonesia.
- In collaboration with the Indonesian Industrial Forest Management Specialist, and RIH/Auditing Specialist, assist the DG PH to undertake a workshop on the development of a Code of Practice for Forest Harvesting in Indonesia based on the Asia Pacific Code. The input would involve the preparation and implementation of a two day workshop where suggestions would be presented along with an outline of the proposed contents.
- In collaboration with the RIH/ Auditing Specialist ,assist the DG PH to develop the contents for a draft Reduced Impact Harvesting Guidelines to end-sure more uniformity with the implementation of RIH. The actual draft would be developed following the preparation of the Code of Practice.
- Providing specialist expertise and presentations into seminars and meetings as required by the Forest Advisor and Team Leader of NRMP2.
- Promote the development of an appropriate mechanism for the training and dissemination of the Code of Practice and implementation RIH Guidelines to the concessionaires in Indonesia.

In Canberra, Australia, (August 1998), the specialist will be responsible to the Forestry Advisor for:

- Prepare a report defining the institutional role of the Tropical Forest Foundation with USAID funding in Indonesia in association with the NRM 2 Program and CIFOR for reduced impact harvesting. The report would include a preliminary assessment of potential for concession involvement in training programmes in RIH, and the role of a RIH /Training Development Co-ordinator for a two year period to establish the program and develop other funding sources.
- Developing a draft of the Code of Practice for Forest Harvesting in Indonesia for presentation at a workshop in Indonesia in schedules for October/November 1998.
- Prepare guidelines for the criteria to be used and recommendations for the use of computer based GIS systems to be used for mapping and concession data base management including harvesting planning as the basis for improved concession management.

In Jakarta, Indonesia, (October/November 1998), located in the sub-component Project Office in Jakarta, Indonesia, the specialist will be responsible to the Forestry Advisor for:

- In collaboration with the Indonesian Industrial Forest Management Specialist, assist the DG PH to undertake a workshop for the presentation of a Code of Practice for Forest Harvesting in Indonesia based on the Asia Pacific Code. The input would involve the presentation and facilitation of working groups in a two day workshop where recommendations would be prepared for inclusion into the draft.
- Following the development of the draft Code of Practice, assist the DG PH to develop the draft Reduced Impact Harvesting Guidelines to ensure more uniformity with the implementation of RIH.
- Undertake field assessment in the CIFOR Research Site in Bulangan and the Berau Site with the purpose of ensuring a similar site is chosen in the different forest type in an approved concession in the eastern part of Indonesia, Maluku Province. Choose an appropriate field site and for the implementation of the Code and associated RIH Guidelines.
- Develop with the concessionaire, alternate methods form that which is currently used for the implementation of the RIH Guidelines outlining the advantages and disadvantages and potential for increased cost savings in the harvesting operation. Prepare an outline of the alternate system, with the appropriate training inputs and material requirements.

In Canberra, Australia, (October/November 1998), the specialist will be responsible to the Forestry Advisor for:

- Developing the final draft of the Code of Practice for Forest Harvesting in Indonesia.
- Prepare Reduced Impact Harvesting Guidelines for Indonesia to be used for the implementation of the Code of Practice.

2.3.3 Reports and Other Deliverables

1. Reports and summaries for discussion on the draft Code of Practice and RIH.
2. Seminar and presentation materials on the Code of Practice and RIH.
3. Report on the involvement of TFF in Indonesia and relationship to the NRM 2 Program.
4. Field visits and activities as required for implementation in designated field sites in East Kalimantan and Maluku.

5. Briefing Report to USAID following each visit to Indonesia and a short summary of activities undertaken.

2.3.4 Schedule and Level of Effort

The consultancy will extend from August 1, 1998 to September 1999 for a period of at least 96 workdays. This will involve 3 scheduled visits to Jakarta during the period to the end of March 1999; one in August, one in October/November, and one in March. It anticipated that there would be other visits in June/July and towards the end of this Task Order Period.

The anticipated LOE for the period after March 1999 are not detailed.

2.4 Terms of Reference

RP 1.1 RIH/ Auditing Specialist (International)

2.4.1 Background

Forest Resources Management Sub-component (SO3/RP1.1) of the EPIQ/NRM 2 Natural Resources Management Program supports and collaborates with the Ministry of Forestry and Estate Crops (MoFE), Directorate General of Forest Utilisation in its effort to achieve sustainable forest management. This is undertaken through policy reform, as well as the development and application of appropriate systems and practices. The systems and practices are designed to operate in a co-ordinated manner through applications for improving industrial concession management and the development of community-based forest management. The tasks of the workplan are therefore organised under four major categories, i) improved policy and institutional framework, ii) sustainable forest resource management approaches and practices, iii) implementation of appropriate systems and for managing industrial concession, and iv) the development for community-based forest management.

To assist with undertaking the tasks designated in the workplan, the services of a long term RIH/Auditing Specialist is required. The specialist will have the responsibility for providing technical support to the activities related to the development of sustainable forest resource management approaches and practices and their application in forest concessions. The specialist should have formal training in forest management, with experience in field operations in natural forests and a sound knowledge of RIH harvesting procedures and the auditing process.

2.4.2 Assignment

Located in the sub-component Project Office in Jakarta, Indonesia, the specialist will be responsible to the Forestry Advisor for:

- Provide input as required into the development of Reduced Impact Harvesting Guidelines for Indonesia in association with other forest sector stakeholders.
- Provide input to SJM (Alas Kusuma`Group) to develop a evaluation procedure for evaluating the impact of harvesting activities with a view to self assessment.
- Review the SJM efforts to improve utilisation of trees harvested and provide estimates improvements.

- In conjunction with the computer specialist, develop a manual for contour mapping of *petaks*. The field guide would be produced in Bahasa Indonesia with the assistance from SJM.

Computer Training Specialist

- Prepare and document competency based training program (including competencies) for computer training program for the *petak* mapping from ground based survey.
- Undertake competency based training in the software used to map *petaks*.
- With assistance of the RIH/Auditor, prepare manuals for the development of computer based *petak* mapping procedures.

2.4.3 Reports and Other Deliverables

1. Reports and summaries of field work undertaken with training in RIH techniques.
2. Competency based training programme for RIH and associated petak mapping is documented, highlighting competency based approach, listed competencies and methods of achieving them .
3. Meeting and seminar presentations to be undertaken as required to provide information about the training approach and the activities and technologies.
4. Field visits and activities as required for implementation in designated field sites and concession holder or Company Group.
5. Debriefing with USAID/NRM2 Team Leader at completion of each visit to Indonesia.

2.4.4 Schedule and Level of Effort

The input for the Computer Trainer and RIH /Auditing Specialist will be undertaken in the period from August, 1998 to September 1999 for a period of at least 3 months. The exact timing of the LOE will be determined with the Forest Advisor and the Concessionaire.

2.5 Terms of Reference

RP 1.1 Social Scientist (International)

2.5.1 Background

Forest Resources Management Sub-component (SO3/RP1.1) of the EPIQ/NRM 2 Natural Resources Management Program supports and collaborates with the Ministry of Forestry and Estate Crops (MoFE), Directorate General of Forest Utilisation in its effort to achieve sustainable forest management. This is undertaken through policy reform, as well as the development and application of appropriate systems and practices. The systems and practices are designed to operate in a co-ordinated manner through applications for improving industrial concession management and the development of community-based forest management. The tasks of the workplan are therefore organised under four major categories, i) improved policy and institutional framework, ii) sustainable forest resource management approaches and practices, iii) implementation of appropriate systems and for managing industrial concession, and iv) the development for community-based forest management.

To assist with undertaking the tasks designated in the workplan, the services of an International Social Scientist is required. The specialist will have the responsibility for providing policy assessment of CBFM and to develop from the review, concept development, selection of social indicators, for development of guidelines and training programmes to support CBFM at all major stakeholder levels. The specialist should have formal training in social science practices, with appropriate experience in field procedures.

2.5.2 Assignment

Located in the sub-component Project Office in Jakarta, Indonesia, the specialist who will be responsible to the Forestry Advisor will:

- Work with the Indonesian Social Scientist, local NGOs, CIFOR and others, to assess policies and regulations in relation to CBFM in Indonesia.
- Based on the review of policies, develop acceptable definitions to be used for CBFM, criteria, and policy directions for the positive social outcomes for CBFM.
- With the assistance of the Indonesian Social Scientist, organise and support a network of communications with the aim of identifying and achieving those clear outcomes.
- Presentation of results of analysis to CGIF as a basis for discussion and comment.

- Evaluate the potential of collaboration in developing CBFM sites in an effort to identify issues for the allocation of forest resources, conditions required for financial and ecological sustainability, and the compatibility of CBFM with forest concessions.
- Develop, in association with Forest Advisor and Indonesian Social Scientist, detailed programme for additional input for the Indonesian Social Scientist and the Social Scientist based on the results of this current LOE.

2.5.3 Reports and Other Deliverables

1. Reports and summaries for discussion on CBFM
2. A Working Paper on the outcomes of the Best Social Practices.
3. A Working Paper on the policy analysis for CBFM and recommendations.
4. Field visits and activities as required for enhanced understanding of the issues and implications of CBFM policy.
5. Report and TOR for remaining 24 days input based on the workplan and results of current input.

2.5.4 Schedule and Level of Effort

This consultancy will extend from mid June, 1998 to mid July 1998 for a period of 24 days. One trip to Jakarta is scheduled input will extend through the period from June, 1998 to September 1999 for a period of at least 16 months.

References